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IN THE

Supreme Court of the United States

OCTOBER TERM, 1967

No. 1360

AMERICAN CYANAMID COMPANY, *Petitioner*

v.

NOPCO CHEMICAL COMPANY, *Respondent*

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

Petitioner prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Fourth Circuit, entered in the above entitled case on January 11, 1968.[1]

CITATIONS TO OPINIONS BELOW

The opinion of the District Court is reported at 268 F. Supp. 506 (W.D.Va. 1967) and is printed in Ap-

[1] Pursuant to a Notice under Rule 21(b) served February 16, 1968, Petitioner has omitted Quality Feeds, Inc., co-appellee below, as having no interest in the outcome of the petition.

pendix B hereto, *infra,* p. 24a. The opinion of the Circuit Court of Appeals is reported at 388 F.2d 818 (4 Cir. 1968) and is printed in Appendix B hereto, *infra,* p. 19a.

JURISDICTION

The judgment of the Court of Appeals was entered on January 11, 1968, p. 19a, *infra.* The jurisdiction of this Court is invoked under 28 U.S.C. Section 1254(1). An Application For Extension of Time To File The Petition For Certiorari was filed on April 9, 1968. Grounds for the application were that the civil disturbance in Washington the previous week had made the final revision and printing by April 10 impossible. The Application was granted by the Chief Justice April 9, extending to and including April 24, 1968.

QUESTIONS PRESENTED

Does the decision of this Court in *Fourco Glass Co.* v. *Transmirra Products Corp.,* 353 U.S. 222 (1957) prevent the lower Federal courts from following the rationale of *Pure Oil Co.* v. *Suarez,* 384 U.S. 202 (1966) in determining the applicability of the November 2, 1966 amendment of the Federal venue statutes to patent infringement actions?

Petitioner says, "It does not."

But, if so, should not this Court now free the lower Federal courts from this constraint in order to carry out the plain language and plainly stated intent of the 1966 amendment and to provide a sounder scope of patent venue both in policy and in law?

Petitioner says, "It should."

STATUTES INVOLVED

The statutory provisions here involved are:

Title 28 United States Code

§ 1391 VENUE GENERALLY

. . .

(b) A civil action wherein jurisdiction is not founded solely on diversity of citizenship may be brought only in the judicial district where all defendants reside, or in which the claim arose, except as otherwise provided by law.

§ 1400 PATENTS AND COPYRIGHTS

(b) Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where defendant has committed acts of infringement and has a regular and established place of business.

§ 1391(b) was last amended in 1966. § 1400(b) was codified as a statement of existing law when Title 28 was revised and enacted into positive law in 1948. Both sections are reproduced as adopted in 1948 in Appendix A, *infra,* p. 11a, together with their predecessor sections, dating back to the first Judiciary Act of 1789, and with pertinent extracts from legislative history and a contemporary treatise.

STATEMENT OF THE CASE

Petitioner Cyanamid is the owner of United States Letters Patent No. 2619420. This patent covers a discovery by Dr. Thomas H. Jukes that the growth of young animals may be spectacularly improved by the inclusion of very small amounts of an antibiotic, chlortetracycline, in their regular feed. Cyanamid currently markets animal feed supplements for use in practicing the invention of this patent.

Nopco recently commenced the manufacture and sale of chlortetracycline-containing animal feed supplements which Cyanamid charges infringe the Jukes patent. One of Nopco's customers is Quality Feeds, Inc. of Broadway, Virginia. Quality Feeds purchases the Nopco supplement known as "CTC 50" and adds it to feed in the ratio of about 1 or 2 parts of supplement in 1000 parts of its whole feed product. Quality sells the resultant whole feed, now containing 100 or 200 grams of chlortetracycline per ton, to poultry farmers who feed it to whole flocks.

One issue is whether infringement is complete before the supplement is added to the feed. Cyanamid therefore filed suit against both Nopco and Quality Feeds in the Charlottesville, Virginia Federal Court on December 14, 1966. Service was made on Nopco, a New Jersey Corporation, by the Clerk of the State Corporation Commission of Virginia.

Nopco subsequently moved to dismiss the complaint as to it on the basis of improper venue. In his opinion Judge Michie found that Nopco had several salesmen who sell within Virginia although none live there and the orders are subject to acceptance at the Nopco home office in Newark, New Jersey. Furthermore, there is resident in Charlottesville a Regional Sales Manager, who supervises a ten state area and maintains an office in a portion of his basement. Judge Michie held and the Court of Appeals affirmed, that these activities do not constitute a regular and established place of business pursuant to 28 U.S.C. § 1400(b). Petitioner does not here contest these holdings.

In its briefs before the District Court and Court of Appeals, Nopco urged that it had committed no acts of infringement within the Western District of Virginia as its supplement was made and orders for it ac-

cepted outside the state. This did not meet the proposition that Nopco's salesmen who concededly called on Quality Feeds regularly in Virginia were inducing infringement there, but the issue was not reached by either Court below because each found venue in the Western District of Virginia improper as to Nopco on other grounds. See *infra*, p. 19a (footnote 1) and p. 26a. Should this Court grant this petition and decide in favor of petitioner, then the lower courts will reach the issue they have avoided. That is to say, they will have to decide whether the Western District of Virginia is a district "in which the claim [of infringement against Nopco] arose" under the rubric of 28 U.S.C. § 1391(b) which is the same issue as whether that District is a district where Nopco "has committed acts of infringement" under the rubric of 28 U.S.C. § 1400(b).

REASONS FOR GRANTING THE WRIT

There are three reasons why this Court should grant this petition:

1. The Court below gave excessive weight to the literal statement of this Court in *Schnell* v. *Peter Eckrich & Sons,* 365 U.S. 260, 262 (1961) that 28 U.S.C. § 1400(b) is "the sole and exclusive provision controlling venue in patent infringement actions" and thus brought itself squarely in conflict with two recent District Court decisions and with the *actual* state of the law said by this Court to have been codified in the section in question.

2. The plain words of 28 U.S.C. § 1391(b), as amended in November 1966, make its terms applicable to patent actions and the Judicial Conference which sponsored the amendment, the Attorney General who supported it, and the reports of both Houses of Con-

gress which passed it state categorically that it is intended to apply to *all* civil actions. The decision below does violence to the statutory language and thwarts the stated intention.

3. At no time has the Congress ever enacted a special patent venue applicable to the defendants which was *narrower* than that currently in force for general Federal question civil actions, and no sound reasons can be advanced why patent venue should be thus narrower. On the contrary, broad venue provisions, giving a wider play to the transfer power conferred on the district courts by 28 U.S.C. § 1404, could do much to reduce the notorious forum shopping tactics characteristic of patent litigation.

We proceed to demonstrate the soundness of each of these arguments fully, but concisely, below.

REASON I: The Court below gave excessive weight to the literal statement of this Court in Schnell v. Peter Eckrich & Sons, 365 U.S. 260, 262 (1961) that 28 U.S.C. § 1400(b) is "the sole and exclusive provision controlling venue in patent infringement actions" and thus brought itself squarely in conflict with two recent District Court decisions and with the actual state of the law said by this Court to have been codified in the section in question.

The relevant history of patent venue in this Court begins with *Stonite Co.* v. *Melvin Lloyd Co.*, 315 U.S. 561 (1942). This decision dealt with the interplay, if any, between §§ 48, 51 and 52 of the Judicial Code which had been enacted by the Act of March 3, 1911, c 231, 36 Stat. 1100-1101. These sections correspond essentially to §§ 1400(b), 1391(b) and 1392(a) of the revised Judicial Code enacted into positive law as Title 28 of the United States Code in 1948. *Stonite* was found to be controlling in the interpretation of the

revised Judicial Code of 1948 and, in particular, of the interplay between §§ 1400(b) and 1391(c) of that revision by a majority of this Court in *Fourco Glass Co.* v. *Transmirra Products Corp.*, 353 U.S. 222 (1957).

Apparently the controlling nature of *Stonite* was accepted not only by the Court but by counsel for both parties in *Fourco,* as Mr. Justice Whittaker observed at 353 U.S. 225 that, "the soundness of the *Stonite* case is not here assailed * * *." For the purpose of this Reason I this observation may be accepted here *arguendo.* However, when we take up Reason III, we will, we think, demonstrate that the soundness of *Stonite* is more aptly likened to the Scriptural house built upon the sands than to one founded on rock.

To support Reason I it is sufficient to show that, by the weight of authority, at no time has 28 U.S.C. § 1400(b) or its predecessor, § 48 of the Judicial Code of 1911, been "the sole and exclusive provision controlling venue in patent infringement actions". Had this literally been a correct statement, then no action for patent infringement could have been maintained against an alien, whether corporate or individual, even though that alien were fully subject to valid service of process in the United States, unless it had acquired "a regular and established place of business within the United States." But this anomaly was recognized, and a patent infringement action permitted to be maintained against an alien in a district of which it was not "an inhabitant", but in which it was duly served while the 1911 Code was in effect in *Sandusky Foundry & Machine Co.* v. *De Lavaud,* 251 Fed. 631 (N.D. Ohio 1918). This result was endorsed by the Revisers of the 1948 Judicial Code by their citation of the *Sandusky* cases in the notes to 28 U.S.C. § 1391(d).

Recently, the specific question of the proper venue for aliens sued for patent infringement in the United States under the 1948 Code has been recognized in the Eastern District of Virginia and in the Southern District of New York to be governed by 28 U.S.C. § 1391 (d) and not 28 U.S.C. § 1400(b). *Olin Mathieson Chem. Corp.* v. *Molins Organizations Ltd.*, 261 F. Supp. 436 (E.D. Va. 1966) and *Chas. Pfizer & Co.* v. *Laboratori Pro-Ter Prodotti Theurapeutici*, 278 F. Supp. 148 (S.D. N.Y. 1967).

Judge Mansfield, in deciding the *Chas. Pfizer* case had expressly to choose between following Judge Butzner's ruling in the *Olin* case and the conflicting dictum of the Seventh Circuit Court of Appeals in *Coulter Electronics, Inc.* v. *A. B. Lars Ljungberg & Co.*, 376 F. 2d 743 (7 Cir. 1967).

He chose to follow *Olin*, we cannot improve upon the clear reasoning of Judge Mansfield, and we rely upon the rationale of his opinion. This circumstance of conflict alone seems to justify this Court in granting the present writ.

This Court found in *In re Hohorst*, 150 U.S. 653 (1893) that the restrictive 1887 venue enactment, which purported to leave no district in which an alien who had been properly served with process as a forum in which to try the action was despite its terms, inapplicable to aliens. The lower courts have generally followed this approach and have continued to find aliens suable in a district where validly served regardless of apparently forbidding language in the venue statutes. This matter is quite extensively reviewed in *Moore's Federal Practice* (2d Ed.) ¶ 0.142 [6]. Thus it is quite clear that Mr. Justice Clark overstated the matter in the *Schnell* opinion where he defined § 28

U.S.C. § 1400(b) as "the sole and exclusive provision controlling venue in patent infringement actions," 365 U.S. 262. Prior to the enactment of the Judicial Code of 1948, it was a rule of decision that the limited patent venue provided by § 48 of the Judicial Code of 1911 was inapplicable to aliens. The present limited patent venue of § 1400(b), which this Court in *Fourco* characterized, 353 U.S. 228 as having made no substantive change in former § 48, is recognized by the weight of authority to be modified with respect to aliens by the codification of the pre-existing decisional law in § 1391 (d). To borrow from Mr. Justice Clark's own pen, we submit that his *Schnell* dictum is best characterized as "a rhetorical embellishment", *Graham et al.* v. *John Deere Co. of Kansas City et al.*, 383 U.S. 1, 15 (footnote 7).

REASON II: The plain words of 28 U.S.C. § 1391(b) as amended in November 1966 make its terms applicable to patent actions and the Judicial Conference which sponsored the amendment, the Attorney General who supported it, and the reports of both Houses of Congress which passed it state categorically that it is intended to apply to all civil actions. The decision below does violence to the statutory language and thwarts the stated intention.

§ 28 U.S.C. 1391(b) was amended to read as follows: "(b) A civil action wherein jurisdiction is not founded solely on diversity of citizenship may be brought only in the judicial district where all defendants reside, or in which the claim arose, except as otherwise provided by law." Manifestly, a patent infringement action is "a civil action wherein jurisdiction is not founded solely on diversity of citizenship." It is thus clearly within the literal ambit of the amended section.

Historically, the amended section was introduced as a replacement for prior § 1391(f): "A civil action on a tort claim arising out of the manufacture, assembly,

repair, ownership, maintenance, use or operation of an automobile may be brought in the judicial district wherein the act or omission complained of occurred." This § 1391(f) followed modern concepts of appropriate venue by giving importance to the place where the cause of action arose and was thus an extension to automobile matters of an underlying concept of the 1897 special patent venue (see Appendix A hereto, p. 9a), giving effect to the place where the infringement had occurred, provided that the defendant had a sufficient connection with that place to be defined as "a regular and established place of business".

It is apparent from the history of the 1966 amendment of § 1391(b), Appendix A, p. 12(a), that first the Judicial Conference which sponsored it, then the Attorney General who supported it and, finally, the Congress were persuaded that the district "in which the claim arose" was an appropriate venue for *all* civil actions and that the concepts of due process by which the sufficiency of service is tested afford a sufficient protection to ensure that the defendant had an appropriate connection with the district involved. See *International Shoe Co.* v. *State of Washington,* 363 U.S. 310 (1945). To carve out of § 1391(b) as amended an exception unhinted at in its language and nowhere adverted to in any legislative history because of the dictum in the *Schnell* case is an error of the Court below which it arrived at in its own words because "we are bound by Supreme Court decisions" which "preclude our giving the [petitioner's] argument the serious consideration that it would otherwise deserve", Appendix B, p. 23a.

The blind reliance of the Court below upon the literal stringency of Mr. Justice Clark's dictum in the *Schnell*

case is in conflict with the broader and sounder policies expressed by this Court in *Pure Oil Co.* v. *Suarez,* 384 U.S. 202 (1966). In that case the Court was dealing with the applicability to Jones Act venue of § 1391(c) of the 1948 Judicial Code. It characterized that section as being one which "could be said with reasonable certainty" to have been "intended to liberalize venue". We are now here concerned with the applicability to patent infringement actions and, in particular, to the special venue provisions of 28 U.S.C. § 1400(b), of the amendment of November 1966 to § 1391(b). It is clear that that amendment was intended to liberalize venue and it seems inescapable logic that the *Suarez* doctrine now requires that that liberalization be carried over from amended § 1391(b) to liberalize the special venue of § 1400(b), as the liberalizing language of § 1391(c) was carried over to liberalize the special venue provisions of the Jones Act.

REASON III: At no time has the Congress ever enacted a special patent venue applicable to all defendants which was narrower than that currently in force for general federal question civil actions, and no sound reasons can be advanced why patent venue should be thus narrower. On the contrary, broad venue provisions, giving a wider play to the transfer power conferred on the district courts by 28 U.S.C. § 1404, could do much to reduce the notorious forum shopping tactics now characteristic of patent litigation.

The first sentence of our Reason III brings into question the soundness of the *Stonite* case. In questioning this soundness, petitioner finds itself in the not unimpressive company of Professor Moore, who went further in questioning the soundness of the *Fourco* case which was grounded on *Stonite,* Moore's Federal Practice (2d Ed.) ¶ 0.114 [9] and we go beyond Professor Moore into an analysis of the statutory history

of the special patent venue section which we believe demonstrates conclusively that Mr. Justice Murphy's attempted analysis in the *Stonite* opinion was incorrect and incomplete.

From 1789 to 1873, there was no venue provision apart from jurisdiction and any civil action cognizable in a federal court could be maintained in any district in which a defendant could be validly served with process, Appendix A, p. 1a. Moreover, during this same period, there was no provision for general federal jurisdiction over federal question cases apart from the diversity jurisdiction and in all civil matters, including patent infringement matters, the federal jurisdiction was dependent upon the existence of a specified amount in controversy and was concurrent with the jurisdiction of the state Courts. The importance of this is that there was no hiatus created by the interplay of the literal wording of jurisdictional and venue sections such as operated to give an apparent immunity to aliens after the 1887-1888 restriction on venue generally, Appendix A, p. 3a. An element of confusion was introduced into the matter by the adoption of the Revised Statutes in 1873 which eliminated concurrent State jurisdiction in patent infringement matters, Appendix A, p. 1a. This did no harm and created no hiatus so long as patent suits could be brought in any district in which a defendant was properly served. In 1875 the Congress enacted for the first time a general "federal question" jurisdiction for the United States courts irrespective of the concurrent existence of diversity jurisdiction. The apparent effect of the literal language of this section, Appendix A, p. 2a, is to restore the concurrent jurisdiction of state Courts over patent infringement matters, which had been taken

away two years earlier. However, since this 1875 enactment continued to make all defendants suable in any district in which they could be validly served however the question of concurrent State jurisdiction over patent actions were to have been decided, patentees would not yet have been confronted with any hiatus in their rights and the availability of a forum.

By 1887 the possibility of bringing federal civil actions in any district in which a defendant could be served had become, at least in many instances, oppressive and the Congress enacted for the first time a venue section, Appendix A, p. 3a, which restricted the forum for federal civil actions other than in terms of valid service, namely, in the case of federal question cases, to the district whereof the defendant is an inhabitant. Manifestly, this restriction, if followed, had serious consequences with respect to aliens and was found to be inapplicable to shield such defendants in *In re Hohorst, supra.* Moreover, because of the amount in controversy limitation, unless it were decided that the state Courts had regained concurrent jurisdiction over patent causes, the literal terms of 1887 left no forum available for small patent cases.

This 1887-1888 situation is analysed by Professor William C. Robinson of Yale Law School in § 934 of his well-known text *Robinson On Patents* (Boston, 1890). This contemporary analysis by a respected authority is one of the elements that was missing from Mr. Justice Murphy's treatment of the matter in the *Stonite* case. As noted in the *Stonite* decision, 315 U.S. 564 (footnote 3), even after the *Hohorst* case, the literal applicability of the 1887 section to patent infringement cases gave rise to conflict of decision. At

this juncture, the Congress undertook to resolve the matter by enacting a special patent venue.

The Congress had before it the situation in which the 1887 enactment limited the general venue for federal question civil cases to the district whereof the defendant was an inhabitant. Some of the judicial decisions applied this restricted venue to patent infringement cases, considering that *In re Hohorst* had been limited to aliens, but others treated *Hohorst* as holding that the 1887 venue statute did not apply to patent infringement questions at all. The Congress resolved this dilemma in 1897 by providing a special patent venue, Appendix A, p. 9a, which was broader than venue limited to a district of which the defendant was an inhabitant, which it had retained for general federal question cases. That is to say, Congress provided for patent infringement cases, the narrow general federal question venue of a district whereof the defendant was an inhabitant, but *added* to it any "district in which the defendant, whether a person, partnership, or corporation shall have committed acts of infringement and have a regular and established place of business". It is thus apparent that Mr. Justice Murphy was wrong in his conclusion that Congress was expressing an intent that patent infringement cases require a restricted venue, for the opposite is true. The Congress was expressing an intent that patent infringement cases should have a broader venue than general federal question civil litigation.

The legislative history of the 1897 enactment makes this abundantly clear. We have reproduced excerpts from this legislative history, Appendix A, p. 11a, which we think can be summarized in Congressman Payne's reluctant conclusion, "I think the Bill puts the owner

of a patent in a little better position than the owner of any other property."

So long as 28 U.S.C. § 1391(b) limited general federal question venue to the judicial district wherein the defendant resides, 28 U.S.C. § 1400(b) continued to provide the function of its 1897 predecessor, making patent infringement venue broader than general federal question venue. However, when the Congress in 1966 amended the general federal question venue in the most general terms to apply to all civil actions and to provide venue in a district in which the claim arose, for the first time, if the interpretation placed upon the matter by the Court below is correct, § 1400(b) now exists to provide for patent infringement cases a venue more restricting than that accorded general federal question causes. There is not a shadow of a suggestion of any intent on the part of Congress thus to reverse its former policy, nor, we submit, is there any reason why a patent infringement tort feasor should be protected by a narrower venue provision than that accorded a defendant whose actions with respect to the same subject matter may have given rise to a federal question claim on some other basis.

The logic of the opinion of the Fourth Circuit, here sought to be reviewed, is not of course limited to patent infringement matters, but rather constitutes a determination that in passing the 1966 amendment to § 1391(b) the Congress did not intend it to be applicable to broaden any of the various special venue provisions of federal law. This is certainly contrary to the sense of *Pure Oil* v. *Suarez, supra,* and this Court will be urged to deny the liberalized treatment contemplated in the 1966 law to any subject treated by a

special provision.[2] The argument will be that the Court below held the 1966 Act did not apply to "any" civil action, but only some civil actions.

For a history of how this Court's prior patent venue holdings have been construed as making general venue inapplicable to special venue situations see Judge Lord's opinion in *State of New York* v. *Morton Salt Company,* 266 F. Supp. 570 (E.D. Pa. 1967).

Aside from the correctness of the holding below as to patents, the decision will force upon this Court piecemeal consideration of the applicability of this law as to every special venue provision which it broadens, unless this Court takes this opportunity to decide whether "any action" means "any" action or "some" actions.

As a final point, it may be observed that the interplay of restricted patent venue and the power of the district court to transfer on *forum non conveniens* standards accorded by 28 U.S.C. § 1404 has greatly

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[2] A partial list of special venue provisions which would appear to be broadened by the 1966 Act and in which service might be obtained under the state's long arm statute are Interpleader 28 U.S.C. § 1397; Copyrights 28 U.S.C. § 1400(a), Jones Act 46 U.S.C. § 688; Clayton Act 15 U.S.C. §§ 15 and 22; Food Drug and Cosmetic Act 21 U.S.C. §334; Tucker Act 28 U.S.C. § 1402(a); Taft Hartley Act 29 U.S.C. § 185(c); Labor-Management Reporting and Disclosure Act of 1959, trustee and election provisions 29 U.S.C. §§ 464 and 482; Common Carrier actions 49 U.S.C. § 20(11); Bankruptcy 11 U.S.C. § 46(b); Stockholders Dirivative actions 28 U.S.C. § 1401; Agriculture enforcement order 7 U.S.C. § 292; I.C.C. enforcement order 28 U.S.C. § 1398 and 49 U.S.C. § 16(2). Banking association actions 28 U.S.C. § 1394 and 12 U.S.C. § 94; Investment Company Act of 1940, 15 U.S.C. § 80(a)-43; automobile dealer suits 15 U.S.C. § 1222; Nationality proceedings 8 U.S.C. § 1503(a).

promoted forum shopping in patent litigation. It has been uniformly held that § 1400(b) applies to actions for patent infringement, *i.e.* suits filed by persons claiming a patent right against an accused infringer, but does not apply to declaratory judgment actions, *i.e.* suits in which persons who have been accused of infringement seek a declaration of invalidity or non-infringement against a patentee. These latter declaratory actions are said to be covered by § 1391(b), the general federal question venue. Because of the material differences between the two provisions technically thus made applicable to the trial of identical issues, anomalous results are reached and overcrowded Court calendars are loaded with duplicate litigation. It is sufficient on this point at this time to cite the decision from the Eastern District of Pennsylvania in *Foster Wheeler Corporation* v. *Aqua-Chem, Inc.*, 277 F. Supp. 382 (E.D. Pa. 1967) in which an application to transfer a later-filed declaratory judgment action to the Court in which an earlier-filed infringement action was pending was denied because the two governing venue provisions do not coincide. Had the provisions of § 1391(b) as amended been applied literally and as contended for by petitioner here in that case, the manufacturer would no doubt have been subject to suit along with his customer in Louisiana by application of the doctrine of *International Shoe Co.* v. *State of Washington*, 326 U.S. 311 (1945) the same as if the patent infringement tort in Louisiana had been a product liability tort.

CONCLUSION

For the foregoing reasons, this petition for a writ of certiorari should be granted.

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APPENDIX